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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/825,971	04/16/2004	Steven L. VanFleet	020375-050000US	8224
20350	7590	12/20/2004	EXAMINER	
TOWNSEND AND TOWNSEND AND CREW, LLP TWO EMBARCADERO CENTER EIGHTH FLOOR SAN FRANCISCO, CA 94111-3834			AUGUSTIN, EVENS J	
		ART UNIT	PAPER NUMBER	
		3621		

DATE MAILED: 12/20/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)
	10/825,971	VANFLEET ET AL.
	Examiner	Art Unit
	Evens Augustin	3621

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) Responsive to communication(s) filed on 16 April 2004.
- 2a) This action is FINAL. 2b) This action is non-final.
- 3) Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) Claim(s) 1-25 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) Claim(s) _____ is/are allowed.
- 6) Claim(s) 1-25 is/are rejected.
- 7) Claim(s) _____ is/are objected to.
- 8) Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) The specification is objected to by the Examiner.
- 10) The drawing(s) filed on 16 April 2004 is/are: a) accepted or b) objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
 - a) All b) Some * c) None of:
 1. Certified copies of the priority documents have been received.
 2. Certified copies of the priority documents have been received in Application No. _____.
 3. Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- 1) Notice of References Cited (PTO-892)
- 2) Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____.
- 4) Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____.
- 5) Notice of Informal Patent Application (PTO-152)
- 6) Other: _____.

Status of Claims

1. Claims 1-25 have been examined.

Claim Rejections - 35 USC § 102

2. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) The invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

3. Claims 1-7, 9, 14-23, and 25 are rejected under 35 U.S.C. 102(e) as being anticipated by O'Leary et al. (U.S 6,609,113).

As per claims 1-7, 9, 14-23, and 25, O'Leary et al. discloses a method and system for processing Internet payments, comprising of the following steps:

- The user logs into the Payment Portal Processor (PPP), using secure and encrypted information to protect the confidentiality of any financial information associated with the operation of the portal (column 9, lines 49-52). It is well known in the art that encryption is based on a key that is essential to decrypt the information to its original form – *Claim 9*
- The user's encrypted login information to the portal includes a user ID and password (credentials) (column 15, lines 36-37). Once the buyer is ready to make a transaction, the merchant transmits the transaction related information such as transaction ID and dollar amount of the transaction to the system (column 16, lines 1-5) – *Claim 1*

- The portal determines the balance whether or not the buyer has sufficient funds in his/her primary account with a bank (column 16, lines 20-25). It is well understood in the art that prior to checking the balance, the customer had to previously established an account with a bank, using credential information - *Claim 1*
- The portal generates a payment authorization message to the buyer's bank for confirmation/approval (column 16, lines 29-30) - *Claims 1 and 6*
- Upon receipt of the payment authorization from the portal, the bank debits the buyer's account in the amount of the authorized payment (column 17, lines 11-13). The portal also sends payment confirmation/approval to the merchant in accordance with the confirmation it receives from the buyer's bank (column 16, lines 53-55) – *Claim 2*
- Before the system performs an Electronic Funds Transfer related to a particular transaction, the system authenticates certain predetermined parameters (risk analysis) such as encrypted PIN and mother's maiden name of the buyer (column 17, lines 3-7). Once these parameters are reconciled, an approval or EFT message is sent to the merchant. The EFT message is essentially a guarantee of payment (column 17, lines 23-25) - *Claim 3*
- The Electronic Fund Transfer (EFT) is realized via an Automatic Clearing House (ACH) (column 30, line 4) – *Claim 4*
- The portal can be linked to a debit system such as Demand Deposit Account (Column 11, lines 44-45 – *Claim 5*
- The system accesses the buyer's bank funds, using standard authentication procedures (e.g., PIN) (column 5, lines 54-55). It is also well known in the art that when establishing

a bank account, the financial institution provides a PIN and account number. Therefore, in addition to the PIN, standard authentication procedures can also include a primary account number – *Claim 7*

- The buyer uses a communication device to access the Internet such as a personal computer loaded with browser i.e. Netscape or Internet Explorer (column 8, lines 63-67).

It is well known in the art that a computer consists of a microprocessor, a hard drive (storage device), RAM and disk drives. It is also well known in the art that the microprocessor interprets and executes instructions – *Claim 14*

- These instructions may include:
 - Receiving the user's encrypted login information to the portal includes user ID and password (credentials) (column 15, lines 36-37)
 - Receiving transaction information such as transaction ID and dollar amount of the transaction (column 16, lines 1-5)
 - Determining whether or not the buyer has sufficient funds in his/her primary account with a bank (column 16, lines 20-25)
 - Generating a payment authorization message to the buyer's bank for confirmation (column 16, lines 29-30)
- Debiting the buyer's account in the amount of the authorized payment (column 17, lines 11-13) – *Claim 15*
- Sending payment confirmation (approval) to the merchant in accordance with the confirmation it receives from the buyer's bank (column 16, lines 53-55) – *Claim 15*

- Performing risk analysis by authenticating certain predetermined parameters (risk analysis) such as encrypted PIN and mother's maiden of the buyer (column 17, lines 3-7).

Once these parameters are reconciled an approval or EFT message is sent to the merchant. The EFT message is essentially a guarantee of payment (column 17, lines 23-25) - *Claim 16*

- Receiving the user's encrypted login information, which includes user ID and password (credentials) (column 15, lines 36-37).

- Transmitting information such as Merchant ID and Merchant BIN (column 16, lines 1-5) – *Claim 17*

- Providing a list of approved merchants to the buyer (column 15, line 48). In order to effectuate the EFT, the portal requires certain information from the merchant, such as bank identification number (risk analysis) (column 11, lines 33-34). Before the system performs an Electronic Transfer for Funds (EFT) related to a particular transaction, the system must authenticate certain predetermined parameters (risk analysis) such as encrypted PIN and mother's maiden of the buyer (column 17, lines 3-7). Once these parameters are established, the transaction is automatically authenticated and authorization messages are sent to the merchant. It should be noted that the portal, the user's bank and the merchant's bank realize the authentication process (column 17, lines 20-23). The authorization message is essentially a guarantee of payment from the buyer's bank (column 17, lines 23-25) – *Claims 17-19 and 22*

- Transmitting Electronic Fund Transfer (EFT) via an Automatic Clearing House (ACH) (column 30, line 4) – *Claim 20*

- Transmitting funds over a debit system such as Demand Deposit Account (Column 11, lines 44-45 – *Claim 21*)
- Accessing the buyer's bank funds, using standard authentication procedures (e.g., PIN) (column 5, lines 54-55). It is also well known in the art that when establishing a bank account, the financial institution provides a PIN and account number. Therefore, in addition to PIN, standard authentication procedures can also include account number – *Claim 23*
- Processing secure and encrypted login information to protect the confidentiality of any financial information associated with the operation of the portal (column 9, lines 49-52). It is well known in the art that encryption is based on a key that is essential to decryption the information to its original form – *Claim 25*

Claim Rejections - 35 USC § 103

4. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

5. Claims 8, 10-13 and 24 are rejected under 35 U.S.C. 103(a) as being unpatentable over O'Leary et al. (U.S 6,609,113) in view of Chien et al. (Pub No: U.S 2001/0054003).

As per claims 8, 10-13 and 24, O'Leary et al. discloses a method and system for processing Internet payments, comprising of the following steps:

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- The user's login information to the Payment Portal Processor (PPP) is secure and encrypted to protect the confidentiality of any financial information associated with the operation of the portal (column 9, lines 49-52). It is well known in the art that encryption is based on a key that is essential to decryption the information to its original form
- The user's encrypted login information to the portal includes user ID and password (credentials) (column 15, lines 36-37). Once a purchase is ready to be made, the merchant transmits to the system transaction information such as transaction ID and dollar amount of the transaction (column 16, lines 1-5) The portal determines the balance whether or not the buyer has sufficient funds in his/her primary account with a bank (column 16, lines 20-25).
- The portal generates a payment authorization message to the buyer's bank for confirmation (column 16, lines 29-30)
- The user's encrypted login information to the portal includes user ID and password (credentials) (column 15, lines 36-37). Once a purchase is ready to be made, the merchant transmits to the system information such as Merchant ID and Merchant BIN (column 16, lines 1-5)
- The portal can provide a list of approved merchants to the buyer (column 15, line 48). In order to effectuate the EFT, the portal requires certain information from the merchant, such as bank identification number (risk analysis) (column 11, lines 33-34). Before the system performs an Electronic Transfer for Funds (EFT) related to a particular transaction, the system must authenticate certain predetermined parameters (risk analysis) such as encrypted PIN and mother's maiden of the buyer (column 17, lines 3-7). Once

transaction, the system must authenticate certain predetermined parameters (risk analysis) such as encrypted PIN and mother's maiden of the buyer (column 17, lines 3-7). Once these parameters are established, the transaction is automatically authenticated and authorization messages are sent to the merchant. It should be noted that the portal, the user's bank and the merchant's bank realize the authentication process (column 17, lines 20-23). The authorization message is essentially a guarantee of payment from the buyer's bank (column 17, lines 23-25).

O'Leary et al. did not explicitly describe a system that uses a loyalty program for the customer during transactions. However, Chien et al. describes a method/system that uses loyalty points to facilitate transaction over the Internet (page 1, paragraph 8, lines 8-9). The system described by Chien et al. teaches that, during a transaction, a buyer can convert accumulated loyalty points to some currency as a credit to the buyer's financial transaction (page 2, paragraph 10, lines 8-13). Therefore, in view of Chien et al.'s teaching, it would have been obvious for one of ordinary skill in the art at the time of the applicant's invention to employ a loyalty program during an on-line financial transaction. It would have been obvious to one of ordinary skill in the art at the time of the applicant's invention to employ a loyalty program as a marketing tool to help develop the business and to establish new clientele (page 1, paragraph 3, lines 3-5).

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Conclusion

6. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

- Ling (Pub No: US 2002/0111907)
- www.paypal.com

7. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Evens Augustin whose telephone number is 703-305-0267. The examiner can normally be reached on Monday thru Friday 8 to 5 pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Jim Trammel can be reached on 703-305-9768. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Any response to this action should be mailed to:

Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Or faxed to:

(703) 305 – 5532 (for formal communications intended for entry and after-final communications), or (703) 746-5532 (for informal or draft communications, please label "PROPOSED" or "DRAFT")

Any inquiry of a general nature or relating to the status of this application should be directed to the Group receptionist whose telephone number is (703) 308-1113.

Evens J. Augustin
October 28, 2004
Art Unit 3621

JAMES P. TRAMMELL
SUPERVISORY PATENT EXAMINER
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